

AUG 18 1998

DEPT. OF INSURANCE  
BY Kath

STATE OF ARIZONA

DEPARTMENT OF INSURANCE

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In the Matter of:	)	Docket No. 98A-058-INS
	)	
JACK WALTON COMBS, JR.,	)	<b>ORDER</b>
	)	
Respondent.	)	
_____)		

On July 21, 1998, the Office of Administrative Hearings, through Administrative Law Judge Lewis D. Kowal, submitted Recommended Decision of Administrative Law Judge ("Recommended Decision"), a copy of which is attached and incorporated by this reference. Pursuant to A.R.S. § 41-1092.08(B), the Director of the Arizona Department of Insurance declines to review the Recommended Decision. Therefore, pursuant to A.R.S. § 41-1092.08(D)(1), the Recommended Decision is the final administrative decision.


NOTIFICATION OF RIGHTS

The aggrieved party may request a rehearing with respect to this Order by filing a written petition with the Office of Administrative Hearings within 30 days of the date of this Order, setting forth the basis for such relief pursuant to A.A.C. R20-6-114(B).

The final decision of the Director may be appealed to the Superior Court of Maricopa County for judicial review pursuant to A.R.S. § 20-166. A party filing an appeal must notify the Office

1 of Administrative Hearings of the appeal within ten days after filing the complaint commencing the  
2 appeal, pursuant to A.R.S. § 41-1092.10.

3 DATED this 17 of August, 1998

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5   
6 John A. Greene  
7 Director of Insurance

8 A copy of the foregoing mailed  
9 this 18 day of August, 1998

10 Charles R. Cohen, Deputy Director  
11 Gregory Y. Harris, Executive Assistant Director  
12 John Gagne, Assistant Director  
13 Catherine O'Neil, Assistant Director  
14 Cheryl Cluen, Investigator  
15 Maureen Catalioto, Supervisor  
16 Department of Insurance  
17 2910 N. 44th Street, Suite 210  
18 Phoenix, AZ 85018

19 Office of Administrative Hearings  
20 1700 W. Washington, Suite 602  
21 Phoenix, AZ 85007

22 Michael J. De La Cruz  
23 Assistant Attorney General  
1275 W. Washington, Suite 602  
Phoenix, AZ 85007

Jack Walton Combs, Jr.  
10864 N. 108th Place  
Scottsdale, AZ 85259

American Republic Insurance Company  
P.O. Box 1  
Des Moines, IA 50301

1 Lincoln Benefit Life Insurance Company  
P.O. Box 80469  
2 Lincoln, NE 68501-0469

3 Kathy Linder  
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1           7. In the Order, it was admitted that Scottsdale Financial's salesmen told  
2 potential investors that they were associate producers for Silver Vision Entertainment or  
3 the L.L.C. calling from Burbank and working for Frank Capra, Jr. when, in fact, the  
4 salesmen had no affiliation with Silver Vision, Frank Capra, Jr., or the L.L.C.

5           8. It was also admitted in the Order, that Scottsdale Financial's salesmen told  
6 potential investors that the L.L.C. would fund production of a children's television show  
7 called "Barnyard Place" and that it needed \$825,000 for production of thirteen episodes.  
8 A Scottsdale Financial's salesmen also told potential investors that there would be a  
9 maximum of 50 investors with a minimum of \$10,000 to invest at \$5,000 per share.

10           9. The above-mentioned statements by Scottsdale Financial's salesmen made  
11 to potential investors occurred during the time period when Mr. Combs was the owner  
12 and president of Scottsdale Financial. Other misrepresentations or misstatements of fact  
13 made by Mr. Combs and Scottsdale Financial's salesmen included telling potential  
14 investors that they would become member/managers of the L.L.C. with decision-making  
15 authority, claiming that "Barnyard Place" could be as profitable as the television show  
16 "Barney" and issuing a prospectus that did not include financial information or information  
17 about the risks associated with the venture.

18           10. The ACC concluded that, among other things, the investment contracts  
19 and/or certificates of participation in the L.L.C. were securities that were not registered  
20 under Title 44, Arizona Revised Statutes, were not exempt under that Title, were not  
21 offered or sold in exempt transactions under that Title, and were not exempt under any  
22 rule or order promulgated by the Commission. The ACC determined that Mr. Combs  
23 offered and/or sold unregistered securities within or from the State of Arizona in violation  
24 of A.R.S. §44-1841.

25           11. The ACC further concluded that in connection with the offers and/or sales of  
26 the above-mentioned securities, Mr. Combs, directly or indirectly, made untrue  
27 statements of material fact and omitted to state material facts necessary in order to make  
28 the statements made not misleading. The ACC also concluded that Mr. Combs had  
29 engaged in transactions, practices or courses of business which operated as a fraud or  
30 deceit upon offerees and/or investors in violation of A.R.S. §44-1991.

          12. As a result of the above-mentioned determinations, the ACC ordered Mr.  
Combs to cease and desist from further violations of the Securities Act of Arizona, to not  
apply to be licensed as a securities salesman in Arizona for a period of one year from the  
date of the Order, and to pay, jointly and severally with Scottsdale Financial, an

administrative penalty of \$2,500.00.

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13. During the hearing, Mr. Combs admitted responsibility for the activities that gave rise to the above-mentioned ACC Order. Mr. Combs submitted the following credible evidence in mitigation: a) he was remorseful in allowing the activities to occur; b) he exercised poor judgment in not obtaining outside counsel and relying on the representation of Chris Pollack, the person who introduced "Barnyard Place" to Mr. Combs, and relying on the representations made by a California Attorney who represented Frank Capra, Jr., that the investment opportunity in Barnyard Place was an interest in a limited liability company and not a security that required registration in the State of Arizona; that no actual sales occurred and, therefore, there was no monetary loss to any member of the public; d) that he had his securities salesman registration revoked for one year; e) he paid the \$2,500.00 administrative penalty to the ACC; f) he lost his investment of approximately \$10,000.00; and g) through the actions taken by the ACC and the negative publicity associated with that action, he has lost his standing in the business community and lost his self-respect.

14. The evidence established that Mr. Combs has held an insurance agent's license in the State of Arizona for approximately five and one half years and that the instant action is the only disciplinary action taken against that license. Further, other than a \$300.00 fine in 1974 or 1975 assessed against his securities license in California, he had no other disciplinary action taken against that license. Mr. Combs also held an insurance agent's license in California from 1974 through 1983 and never had any disciplinary action taken against that license.

15. Mr. Combs is presently employed as a consultant involved in the oil and gas industry but expressed a desire to sell life and health insurance. In 1992, Mr. Combs sold life and health insurance for PFL Life Insurance Company for approximately one year but then decided to work in the securities industry. He currently has an opportunity to work for PFL Life Insurance Company and, if his license is not revoked, intends to pursue that opportunity.

#### CONCLUSIONS OF LAW

1. Mr. Combs has a record of dishonesty in business or financial matters within the meaning of A.R.S. §20-316(A)(1) together with A.R.S. §20-290(B)(2).

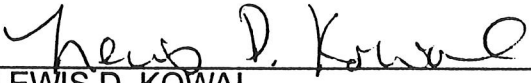
2. Grounds exist for the Director of the Department ("Director") to suspend,

1 revoke or refuse to renew Mr. Comb's insurance license and/or impose a civil penalty  
2 upon him.

3 **RECOMMENDED ORDER**

4 Based on the above, and in light of the mitigating circumstances set forth above, it  
5 is recommended that Mr. Combs life and disability insurance agent's license be  
6 suspended for thirty days.

7 Done this day, July 21, 1998.

8   
9 LEWIS D. KOWAL  
10 Administrative Law Judge

11 Original transmitted by mail this  
12 22 day of July, 1998, to:

13 Mr. John A. Greene, Director  
14 Department of Insurance  
15 Attn: Curvey Burton  
16 2910 North 44th Street, Ste. 210  
17 Phoenix, AZ 85018

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